

MINUTES OF ROANOKE CITY AUDIT COMMITTEE

December 15, 2003

1. CALL TO ORDER:

The meeting of the Roanoke City Audit Committee was called to order at 4:05 p.m. on Monday, December 15, 2003, with Chair, Linda F. Wyatt, presiding.

- **The roll was called by Mrs. Powers**

Audit Committee

Members Present: Linda F. Wyatt, Chair
Mayor Ralph K. Smith
William D. Bestpitch
Dr. M. Rubert Cutler
Alfred T. Dowe, Jr.
C. Nelson Harris
Beverly T. Fitzpatrick, Jr,

Others Present: Drew Harmon, Municipal Auditor
Darlene L. Burcham, City Manager
William M. Hackworth, City Attorney
Jesse A. Hall, Director of Finance
Mike Tuck, Assistant Municipal Auditor
Pamela Mosdell, Information Systems Auditor
Brian Garber, Senior Auditor
Evelyn Powers, Administrative Assistant
R. Timothy Conner, Partner, KPMG LLP
R. James Barker, Manager, KPMG LLP

2. FINANCIAL KPMG AUDIT REPORTS – JUNE 30, 2003:

- A. City of Roanoke Letter of Recommendations on Procedures and Controls
- B. City of Roanoke Report to the Audit Committee
- C. City of Roanoke Pension Plan Report to the Board of Trustees
- D. City of Roanoke Report of Agreed-Upon Procedures for Enhanced E-911 Service Taxes

Mrs. Wyatt ordered that the KPMG audit reports be received and filed. There were no objections from the Committee. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon introduced Mr. Conner from KPMG for comments. Mr. Conner briefed the Committee on the audit reports issued and stated that the reports were clean unqualified opinions. There were no material weaknesses with internal controls. Mr. Hall stated that he appreciated KPMG for their work. There were no questions or comments from the Committee.

3. INTERNAL AUDIT REPORTS:

- A. Police Cash Funds
- A. Accela
- B. Civic Center – Housekeeping
- C. Audit Findings Follow-Up

Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon briefed the Committee on the Police Cash Funds audit and stated that the audit was an unqualified opinion on cash funds, and there were no material misstatements. Mr. Harmon stated that there was only one finding with one of the fees. Mr. Fitzpatrick asked if the problem with precious metals applications dealt with pawn shops. Mr. Harmon stated that is correct. The report was received and filed.

Mr. Harmon briefed the Committee on the Accela audit report. Mr. Harmon stated that the Accela system was fully implemented in July 2001. Mr. Harmon stated that controls over data entry and security access were evaluated to be satisfactory. Basic and comprehensive development plans were reviewed and approved in compliance with City Code. Fees assessed in the system were consistent with approved fees in the City's Fee Compendium, and collections by the Treasurer were accurately posted into the Accela system. Mr. Harmon stated that the system was well controlled. There was one finding with credit card numbers that were accessible to certain City employees. There were no questions or comments from the Committee. The report was received and filed.

Mr. Harmon briefed the Committee on the Civic Center – Housekeeping audit report. Mr. Harmon stated that the Civic Center Housekeeping audit was not a scheduled audit; it was one that we undertook based on allegations that there were some problems with contract labor. Mr. Harmon stated that we did confirm the allegations and we provided the information to the administration. Mr. Harmon stated that audit and the administration acted very quickly to take care of this situation and that charges had been filed. The trial has not been held to date. Mr. Bestpitch asked if there was a sense of time as to how long this problem had been going on. Mr. Harmon stated that in this case we do know the time frame based on when the changes to the systems took place. The City went from a contracted service through EPI to hiring people internally part-time in September. Ms. Burcham stated that a year ago, we had some very specific problems that were identified where we did not have a proper contract in place. She stated that we worked very quickly to correct the problem and bring the activity in house. In the process of this investigation, we have determined some places where we should have tightened-up procedures a bit more. Ms. Burcham stated that very clearly we can tell exactly when this particular problem had its genesis and how to address it. Ms. Burcham stated that we did go through the proper contractual procedures with Labor Ready, but we did have some problems with internal staff that contributed to the particular issue. Mr. Bestpitch stated that from his understanding, the problem was identified pretty quickly. Ms. Burcham stated that she thinks the staff knows that management is serious about dealing with these kinds of problems and came forward

and gave us some facts. Mr. Harris asked about the part-time employees who were involved. Ms. Burcham stated that the employees were Labor Ready and they were no longer employed at the City. Mr. Harris stated that he sees internal audit as a good thing because of the good that comes from the work performed. There were no further questions or comments. The report was received and filed.

Mr. Harmon briefed the Committee on the Audit Findings Follow-Up audit report. Mr. Harmon stated that this report was very positive for the City. In years prior to Ms. Burcham's appointment, we often had more outstanding findings carried over than cleared. Mr. Fitzpatrick stated that he wanted to thank Mr. Harmon, his staff and KPMG for making sure that the public's money is being adequately taken care of. Mr. Bestpitch asked if the problem with Fire/EMS inspections is that the inspections are not being done as they should be, or are they just not getting recorded. Mr. Harmon stated the inspections are not being performed. Mr. Harmon stated that we are not organized in such a way to ensure that we get to all locations on as frequent a basis as we would like. Mr. Bestpitch asked if the remedy was a better system to track when the inspections should be done. Mr. Harmon stated that a computer system that can prompt proper scheduling should correct the problem. Ms. Burcham stated that the Fire/EMS inspections have actually increased, but the question is whether or not they are inspecting the right things at the right time. The volumes are up so we really do need a computerized system to help ensure inspections are performed at the proper intervals. Mr. Bestpitch asked when we expect the process of implementing the new system will be completed. Mr. Garber stated that they have the software and that they are working on implementing the new system. Mr. Bestpitch stated that this is a serious issue and that he is concerned because it can be life threatening if fire inspections are not getting done. Mr. Bestpitch stated that the best system in the world is not going to go out and do the inspections. Mr. Bestpitch stated that if we needed more resources to go out and do the inspections, then we need to hire staff to get the inspections done. Ms. Burcham stated that the issue is not that inspections are not getting done because inspections are up. Ms. Burcham stated that she will get an implementation date and report back to the Committee. Mr. Bestpitch asked how the problem was going to be addressed at Parks and Recreation regarding part-time payroll. Mr. Garber stated that policies and procedures were in place. The problem was with one Supervisor not following policy. Mr. Garber stated that the problem has been corrected and that next year this issue should not appear in the report. Ms. Burcham stated that she and her administration take the audit function very serious and in fact have asked the audit department for assistance when additional resources have been needed to look at problems. Ms. Burcham stated that she believes that her staff understands the position she takes regarding audit recommendations. Four years ago when she became City Manager, there was a long list of audit findings that had not been addressed. Ms. Burcham stated that she made the explicit decision to try to address the entire list in one year and that significant progress has been made. Ms. Burcham stated that she wanted to personally thank Drew and his staff for the cooperation that she has experienced. She stated that she feels audit has a much better connotation in our organization because audit is seen as helpful and not hurtful.

4. NEW BUSINESS:

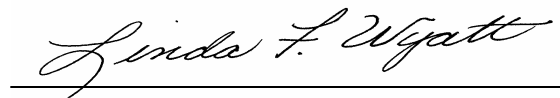
There was no new business.

5. OTHER BUSINESS:

Mr. Harmon stated that this was Evelyn's last Audit Committee meeting and that he and the audit staff would like to thank her for 22 years of dedicated service to the Audit department. The staff wishes her well in her new position as City Treasurer and looks forward to working with her in her new position.

6. ADJOURNMENT:

There being no further business, the meeting was adjourned at 4:40 p.m.

A handwritten signature in cursive script, reading "Linda F. Wyatt", is positioned above a horizontal line.

Linda F. Wyatt, Chair